

FINAL



STANDARD OPERATING PROCEDURES FOR CLOSED APPROPRIATION ACCOUNTS

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DIRECTOR ACCOUNTING SERVICES
Supplemented by Accounting Services (Army) - Indianapolis Center

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Section I: Preface

1. Purpose and Scope

- 1.1 This procedure sets forth the standard accounting requirements for Department of Defense closed appropriations, including accounting for payments, collections, and adjustments to closed accounts, and the maintenance of related memorandum accounts. **Accounting Services (Army) - Indianapolis Center Supplemental Information: These supplemental procedures are to be followed by activities for which the DFAS Indianapolis Center is their Treasury Reporter. Additional procedures will be issued by Accounting Services (Defense Agencies) – Indianapolis Operations for Treasury Index 97 funds for the Services.**
- 1.2 This procedure applies to the Defense Finance and Accounting Service Centers (DFAS-CL, DFAS-CO, DFAS-DE, DFAS-IN, and DFAS-KC).

2. References

- 2.1. United States Code Title 31, Subtitle II, Chapter 15, Subchapter IV, Section 1552. "Procedure for appropriation accounts available for definite periods".
- 2.2. United States Code Title 31, Subtitle II, Chapter 15, Subchapter IV, Section 1553. "Availability of appropriation accounts to pay obligations".
- 2.3. United States Code Title 31, Subtitle II, Chapter 15, Subchapter IV, Section 1555. "Availability of appropriation accounts to pay obligations".
- 2.4. Department of Defense Financial Management Regulation, Volume 3, Chapter 10. "Accounting Requirements for Expired and Closed Accounts"
- 2.5. August 3, 2000 Memorandum of Agreement between OMB, DCFO, and FMS on Department of Defense Closed Accounts.
- 2.6. 72 Comp. Gen. 343, September 29, 1993. B-251287; "Matter of: Department of the Treasury Request for Opinion on Account Closing Provisions of the Fiscal Year 1991 national Defense Authorization Act"
- 2.6.1. Comp. Gen. 343, November 1, 1995. B-251287.3; Unpublished (*No Title*)
- 2.7. 73 Comp. Gen. 338, September 28, 1994. B-253623; "Matter of: Adjustment of Expired and Closed Accounts"
- 2.8. Comp. Gen., March 15, 1995. B-257825; "Matter of: Federal Aviation Administration – Accounting System Error"

Section II: Major Statutory and Regulatory Requirements Pertaining to Closed Accounts

3. When to Close an Appropriation Account

- 3.1. On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose. [See U.S.C. Section 1552]

- 3.2. An appropriation account available for obligation for an indefinite period shall be closed, and any remaining balance (whether obligated or unobligated) in that account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose, if –
 - 3.2.1. the head of the agency concerned or the President determines that the purposes for which the appropriation was made have been carried out; and [See U.S.C. Section 1555]
 - 3.2.2. no disbursement has been made against the appropriation for two consecutive fiscal years. [See U.S.C. Section 1555]
4. Purpose and Dollar Value Restrictions on Obligations Within a Closed Appropriation Account
 - 4.1. *Purpose Restriction.* After the closing of an account, transactions affecting that account may be charged to any current appropriation account of the agency available for the same purpose. [See U.S.C. Section 1553]
 - 4.2. *Dollar Value Restriction.* The total amount of charges to a closed appropriation account made from a current year appropriation may not exceed the lesser of:
 - 4.2.1.** One percent (1%) of the *total appropriations* for that account; (For contract changes, charges made to currently available appropriations shall have no impact on the 1 percent limitation rule.) [See U.S.C. Section 1553] The appropriation sponsor shall have sole responsibility for checking potential payments against the 1% limitation. **Accounting Services (Army) - Indianapolis Center Supplemental Information: The 1% limitation pertains to the original amount appropriated to the current appropriation being charged. In the appropriation involves Department 21, DFAS Accounting Sites will coordinate the 1% limit verification with the Army Resource Management Community. Points of contact for Department 97 appropriations are listed in Chapter 1b-POC, DFAS Manual 7097-01, which can be found at the following link:**

<https://dfas4dod.dfas.mil/centers/dfasin/library/709701/files/1b-poc.pdf>
 - 4.2.1.1. In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount of obligations from that appropriation during a fiscal year for contract changes for that program, project, or activity to exceed \$4,000,000, the obligation may only be made if the obligation is approved by the head of the agency (or an officer of the agency within the Office of the head of the agency to whom the head of the agency has delegated the authority to approve such an obligation). [See U.S.C. Section 1553]
 - 4.2.1.2. In the case of a fixed appropriation account with respect to which the period of availability for obligation has ended, if an obligation of funds from that account to provide funds for a program, project, or activity to cover amounts required for contract changes would cause the total amount obligated from that appropriation during a fiscal year for that program, project, or activity to exceed \$25,000,000, the obligation may not be made until –
 - 4.2.1.2.1. the head of the agency submits to the appropriate authorizing committees of Congress and the Committees on Appropriations of the Senate and the House of Representatives a notice in writing of the intent to obligate such funds, together with a description of the legal basis for the proposed obligation and the policy reasons for the proposed obligation; [See U.S.C. Section 1553] and
 - 4.2.1.2.2. a period of 30 days has elapsed after the notice is submitted. [See U.S.C. Section 1553]
 - 4.2.2.** The unexpended balance of the canceled appropriation; [See FMR VOL. 3, CH. 10] **Accounting Services (Army) - Indianapolis Center Supplemental Information: The Indianapolis Center maintains unexpended balance records for the Department of the Army (Treasury Index 21).**

Department of Defense (Treasury Index 97) unexpended balances are maintained by Accounting Services (Defense Agencies) – Indianapolis Operations. This applies to all TI 97 Funds, whether or not allocated to the services or Defense Agencies.

- 4.2.3. The unexpired unobligated balance of the currently available appropriation [See FMR VOL. 3, CH. 10]
- 4.3. Any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation shall continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. [See FMR VOL. 3, CH. 10]
5. Responsibility to Track Closed Appropriation Accounting Entries
- 5.1.** The Department of Defense will maintain appropriate DoD internal closed appropriation(s) records for Antideficiency Act purposes. [See August 3, 2000 Memorandum of Agreement] **Accounting Services (Army) - Indianapolis Center Supplemental Information: See paragraph 4.2.1 and 4.2.2 above. Fund managers are responsible for verifying the 1% limitation and DFAS Indianapolis is responsible for verifying closed appropriation balances for Department of the Army (Treasury Index 21).**
6. When to Conduct an Antideficiency Act Investigation
- 6.1. Upon discovery, the DoD Components are required to investigate and report violations of the Antideficiency Act when any transaction or sum of transaction dollar values exceed the lesser of the amounts set forth in paragraphs 4.2.1, 4.2.2, or 4.2.3 above. **Accounting Services (Army) - Indianapolis Center Supplemental Information: DFAS Indianapolis will instruct reporting activities to initiate a flash report of potential ADA violation if it is determined that a proposed transaction exceeds the available balance in the cited closed appropriation for Department of the Army (Treasury Index 21). DFAS Indianapolis will then provide assistance with appropriation reconciliation to help determine if a violation did, in fact occur.**
- 6.2. An agency shall not avoid adjusting an appropriation account and reporting any resulting Antideficiency Act (ADA) violation because (1) the appropriation has expired, (2) adjusting the appropriation will result in over obligations, or (3) the over obligations were unintentional.” [See 73 Comp. Gen. 338, September 28, 1994] It is understood that the intent of the Comptroller General’s use of the above term “expired” is inclusive of the term “closed.” **Accounting Services (Army) - Indianapolis Center Supplemental Information: DFAS Indianapolis will issue a control number to allow reporting of transactions creating a potential ADA violation and will decrement the available fund balances at the time the control number is issued. DFAS Indianapolis issues control numbers activities for which the DFAS Indianapolis Center is their Treasury Reporter.**
- 6.3. Paragraphs 6.1 and 6.2 above shall not alleviate the standard requirement and expectation that all potential ADA violations, to include the aforementioned, be addressed appropriately.

Section III: Standard Operating Procedures

7. Initial Closing of an Expired Appropriation:
- 7.1. Special efforts should be made to ensure that all valid invoices citing accounts subject to closure are processed before the account is closed. The official closure date is September 30. Therefore, all valid invoices dated as of September 30 may be charged against an account before it is closed. [See FMR VOL. 3, CH. 10, page 10-B-1]

7.2. Determine the Nature of the Beginning Balance for the Cancelled Appropriation Account. [See FMR VOL. 3, CH. 10]

7.2.1. The affected DoD Component shall identify valid unliquidated obligations subject to cancellation to determine if -

7.2.1.1. appropriations are available for future adjustments against such obligations, or

7.2.1.2. other provisions for adequate resources have been made to pay for such obligations that will cancel with an account.

7.2.2. Identify the unobligated balance.

7.2.3. Establish identification of the amount for which it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation. **Accounting Services (Army) - Indianapolis Center Supplemental Information: This will be done by the fund manager in accordance with paragraph 4.2.1 above.**

7.2.4. The existence of a negative balance does not preclude an account from being closed. Such accounts should be closed in accordance with valid applicable requirements, with a receivable established for the amount of the negative balance. See also paragraph 10.2

8. General Rules & Procedures Applying to All Closed Appropriation Transactions

8.1. The DFAS shall coordinate with fund holders on matters pertaining to closed accounts, including payments, adjustments, collections, and all related potential Antideficiency Act violations.

8.2. In accordance with Department of Defense and DFAS-AR guidance, all impacted non-DFAS DoD Components shall support DFAS in performing the required accounting functions for closed appropriations, including:

8.2.1. Preparation and processing of closed account transactions to the accounting systems and Treasury account 3999; **Accounting Services (Army) - Indianapolis Center Supplemental Information: Field reporting agencies are not authorized to submit transactions citing the 3999 account at Treasury Specific instructions on how to report different types of transactions affecting closed account balances to the Indianapolis Center are identified in bold lettering and red font throughout this standard operating procedure.**

8.2.2. Maintaining identification of the amount for which it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation; **Accounting Services (Army) - Indianapolis Center Supplemental Information: Also see paragraph 4.2.1.**

8.2.3. Maintaining proper internal controls for (1) general ledger accounts citing the Treasury closed account and (2) subsequent memo accounts for the valid unpaid obligations and receivables pertaining to closed accounts; Controls for (1) general ledger accounts citing the Treasury closed account, and (2) subsequent memo accounts shall be perpetuated until all obligations are paid and accounts receivable collected.

8.2.4. and taking action should any closed appropriation account appear to become deficient. **Accounting Services (Army) - Indianapolis Center Supplemental Information: Also see paragraph 6.1 above. The Indianapolis Center will assist with research to determine if an appropriation is, in fact, anti deficient.**

8.3. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail should facilitate cost determinations and program assessment and evaluation, while maintaining an appropriate level of visibility over expired accounts, providing an appropriate audit trail, and meeting the objectives of the closing accounts legislation. [See FMR VOL. 3, CH. 10] **Accounting Services (Army) - Indianapolis Center Supplemental Information: The Indianapolis Center is responsible for maintaining balance information for closed appropriations as opposed to transactional level information. Field level reporting activities are responsible for preparing and maintaining vouchers and supporting details pertaining to closed appropriation transactions. In the case of MOCAS proposed adjustments to closed accounts, the Columbus Center prepares adjustment vouchers after coordination with DFAS Field Sites and Centers. The Indianapolis Center requires copies of MOCAS adjustment vouchers impacting on either Department 21 or Department 97 appropriations, For which the Indianapolis Center is the Treasury reporter, to support timeliness and accuracy of closed appropriation reporting. Copies of vouchers can be submitted electronically. As an alternative, a listing of the voucher numbers processed each month can be provided to the Indianapolis Center. If that option is chosen, MOCAS must verify that copies of the vouchers have been populated on EDA.**

8.4 The office maintaining memorandum accounts shall be communicated with regarding all proposed payments, collections and adjustments. This is essential to the maintenance of accurate balances in closed appropriation accounts.

8.4.1. For example, an office processing collections shall utilize the aforementioned avenues of communication to identify to the office maintaining memorandum accounts of the canceled account being credited.

8.4.2. MOCAS offices shall coordinate directly with accounting stations responsible for maintenance of the customer's official accounting records to obtain advance approval of proposed accounting adjustments. Once concurrence is obtained, that an external MOCAS adjustment is required to correct Treasury reporting, MOCAS offices shall provide a copy of the coordinated SF 1081 to the center responsible for maintaining closed account balances. **Accounting Services (Army) - Indianapolis Center Supplemental Information: The previous closed account coordination processes between MOCAS and Indianapolis where MOCAS sent requests through the Indianapolis Center are rescinded and replaced by the following:**

The MOCAS auditors must coordinate directly with the responsible accounting station PRIOR to initiating an action that could result in MOCAS reporting a closed appropriation adjustment to the Treasury.

Notes:

1. All accounting activities utilizing the Indianapolis Center is their Treasury Reporter will provide a closed appropriation point of contact to the DFAS Indianapolis Treasury Reports Branch. The team can be reached at 317 510-5436 (DSN 699-5436). These points of contact will be provided to DFAS Columbus (MOCAS) and must be kept up-to-date. If MOCAS auditors are unable to contact the designated field site points of contact, they should contact the DFAS Indianapolis Center Treasury Reports Branch at the above listed number for assistance.

2. The previous policy that allowed MOCAS processing of closed appropriation transactions if MOCAS did not receive a response to a proposed adjustment request within 40 days is rescinded. Problems with lack of responsiveness to requests should be addressed through the proper management channels, from accounting site point of contact to Deputy Director for Accounting to Site Director, etc.

3. MOCAS AUDITORS MUST NOT process EXTERNAL adjustment transactions without concurrence from the cited fiscal station. Transactions initiated without fiscal station approval will be rejected back to suspense accounts associated with the initiating MOCAS Disbursing Station AND WILL REMAIN IN SUSPENSE UNTIL REVERSED BY THE INITIATING MOCAS REPORTING STATION.

4. The Indianapolis Network Accounting Activity is responsible for:

- Reviewing the customer accounting records to determine how the original MOCAS transaction was posted to the official accounting records.
- Responding back to MOCAS as to whether the proposed adjustment should be processed externally (which will report the transaction to Treasury) or internally to MOCAS records only.
- Coordinating with the DFAS Indianapolis Departmental Accounting Reports and Analysis Team to clear the suspense account transactions resulting from closed appropriation adjustments.

Notes:

A. DFAS Indianapolis released Accounting Policy Implementation Message Number 99-27 on May 24, 1999 to implement a DFAS “Post as Paid Policy” for MOCAS transactions. The message instructs Indianapolis Reporting Activities to initiate contract reconciliation requests when they receive what appears to be an incorrect appropriation cite on a MOCAS transaction for others report. Prior to this, Indianapolis activities could post MOCAS transactions at variance to resolve differences between the accounting information provided with MOCAS transactions and the data recorded in the official accounting records. However, when that happened, there were no effective procedures to ensure MOCAS entitlement system records were updated to reflect how the transactions were actually accepted. The message is intended to ensure MOCAS and accounting station records remain in sync.

B. Adjustments to closed appropriations must be supportable by review of the official accounting records. In situations where MOCAS proposes adjusting a transaction initiated before May 24, 1999 that cannot be supported by review of the official accounting records, the adjustment will be processed INTERNALLY to MOCAS only. This applies in all situations, including those that involve transactions impacting on multiple Treasury reporting centers (so called “Split-Service” adjustments). All proposed adjustments to transactions initiated after May 24, 1999 are authorized for external adjustments since Indianapolis reporting activities should NOT have posted these at variance. In situations where the accounting activity has already made the required adjustment, they must reverse that adjustment and accept the proposed MOCAS adjustment.

C. If the reporting activity can substantiate that a transaction reported by MOCAS prior to May 24, 1999 has already been adjusted in the official accounting records, provide MOCAS with the voucher number, date adjustment occurred, disbursing station symbol number, amount, etc.

9.1 5. MOCAS Reporting Activity Responsibilities: After contacting the responsible accounting activity point of contact and obtaining the necessary concurrence for processing closed appropriation adjustment transactions, the MOCAS auditor is free to initiate the necessary adjustments. This will result in preparation and certification of a Standard Form 1081, Voucher and Schedule for Withdrawal and Credits. The MOCAS Auditor will provide the name, grade and position of the accounting station point of contact providing fiscal station concurrence of the proposed adjustment. The MOCAS auditor must then provide a copy of the certified voucher to the DFAS Indianapolis Center Treasury Reports Branch, which will verify the closed appropriation(s) balance and post the transaction. Submit copies of Certified SF1081 via email. The contact number is 317 510-5436 for instructions.

8.4.2.11 The responsible center shall check fund availability, decrement canceled fund balances, and provide control numbers to MOCAS. All appropriation adjustment lines associated with a control number must be processed during the month associated with the control number issued by the Treasury reporting centers. The cited accounting station will not be permitted to reject these previously coordinated transactions. **Accounting Services (Army) - Indianapolis Center Supplemental Information: If processing of a coordinated canceled appropriation adjustment results in a potential ADA violation, the Indianapolis Center will initiate a flash report and assist with the subsequent investigation.**

9.2 MOCAS offices will coordinate all "Replacement fund requests" with both the accounting station responsible for maintenance of the customer's official accounting records and with the Treasury reporting

centers. **Accounting Services (Army) - Indianapolis Center Supplemental Information: Submit replacement fund requests via email. The contact number is 317 510-5436 for instructions.**

- 8.4.3 **The following information is required: Originating disbursing station symbol number (DSSN), Date paid, voucher number, amount, and complete line of accounting cited on the original MOCAS disbursement. These are the funds that need to be replaced. Complete line of accounting that was assigned to the ACRN cited on the original invoice. These are the funds that were already canceled and could not be cited on the original disbursement.** Accounting stations will verify posting of the original MOCAS transaction and work with customers or the Treasury reporting center's to obtain replacement funds. . **Accounting Services (Army) - Indianapolis Center Supplemental Information: Check to ensure that the transaction was posted against the same line of accounting as disbursed by MOCAS and that no adjustment was made at a later date.** Treasury reporting centers will verify fund availability, decrement canceled funds, and, if necessary, issue control numbers. **Accounting Services (Army) - Indianapolis Center Supplemental Information: Replacement funds are intended to replace funds that were erroneously cited by a previous MOCAS disbursement transaction. As an example, an invoice received on 1 October 2000 (Fiscal year 2001) cites ACRN AA. The line of accounting associated with ACRN AA is 21 2 2020 (Fiscal year 1992). Note that the funds for 1992 were already canceled at the time that the invoice was received and they were therefore not available for disbursement.**

The MOCAS personnel should have sought current year (2001) funds available for the same purpose from the responsible fund manager. They did not do this. Instead, they used funds available on another ACRN, (such as ACRN AB, citing 21 7 (1997) 2020 funds), which were available for disbursement. The 1997 funds that were erroneously disbursed need to be “replaced” by funds that were current at the time that the original erroneous disbursement was made (fiscal year 2001 funds). HOWEVER, since the original obligation really belongs to a canceled appropriation, we must decrement the balance in the canceled appropriation.

The MOCAS request for replacement funds for TI 21 or TI97 will involve the Indianapolis Center only if we are the Treasury Reporter for those funds. Fund managers will need to become involved if the replacement funds pertain to a prior year that has not yet canceled. The following example illustrates this situation.

Today's date is April 23, 2004 and MOCAS initiates a request for replacement funds based on the following circumstances: MOCAS received an invoice on 1 October 2000 (Fiscal year 2001) citing ACRN AA funds of 21 2 2020 (Fiscal year 1992). Since these funds were canceled, MOCAS used funds on ACRN AB 21 9 2020 (fiscal year 1999) to pay the invoice. The mistake has been found, and MOCAS is asking for FY 2001 funds to replace the FY 1999 funds that were erroneously cited. Fiscal year 1999 funds are in a prior year status, are available for disbursement until September 30, 2004, and they are under the control of a fund manager. The fund manager should issue FY 2001 funds, if available. If not available, they should contact their servicing accounting office for further instructions. The Indianapolis Center will issue a replacement fund control number and decrement the funds in the original canceled appropriation (21 2 (1992) 2020). Note that once fund approval is granted by the fund manager, the MOCAS will process a SF1081 to credit 21 9 (1999) 2020 funds and to charge 21 1 (2001) 2020 funds only. While the balance in the original canceled appropriation will be decremented by the Indianapolis Center, no canceled appropriation transaction is reported to the Treasury. This is because Indianapolis maintains the balances for canceled accounts in TI 21 and 97.

If the replacement fund request involves canceled to canceled funds, no fund manager involvement is required. The following example illustrates this situation.

Today's date is April 23, 2004 and MOCAS initiates a request for replacement funds based on the following circumstances: MOCAS received an invoice on 1 October 1997 (Fiscal year

1998) citing ACRN AA funds of 21 2 2020 (Fiscal year 1992). Since these funds were canceled, MOCAS used funds on ACRN AB 21 6 2020 (Fiscal year 1996) to pay the invoice. The mistake has been found and MOCAS is asking for FY 1998 funds to replace the 1996 funds that were erroneously cited. Fiscal year 1998 is now also canceled and these funds are no longer available for disbursement. In this situation, DFAS Indianapolis will verify and decrement the balance in the 1998 funds and increment the balance in the 1996 funds. Indianapolis will document the transfer by issuing a replacement fund control number. Since there is no impact at Treasury, MOCAS should then process an internal adjustment to reflect the corrections.

- 8.4.4 DFAS Treasury reporting centers shall be authorized to supplement these instructions as long as said supplemental instructions are within the scope and parameters outlined in this SOP.
Accounting Services (Army) - Indianapolis Center Supplemental Information is provided in red font and bold lettering throughout this SOP.

- 8.5 These procedures apply equally to intragovernmental and public transactions in closed appropriations. The level of detail required for intragovernmental transactions includes the trading partners so that eliminating entries can be determined for the financial statements.

9 Specific Rules & Procedures Applying to Closed Appropriation Payment Transactions

- ~~9.3~~ DoD Components shall request a “subclass” account from the Department of the Treasury. Requests for subclass accounts shall be submitted in writing to the Treasury Department, through or by the Defense Finance and Accounting Service, and include the purpose for the payment. **Accounting Services (Army) - Indianapolis Center Supplemental Information: When current year funds are used to pay for a canceled year obligation, the transaction(s) are reported to the Treasury using a prefix of the number 46. The Treasury approves prefix 46 reporting for appropriations as requested by the Indianapolis Center.** The address to which requests should be sent is listed in Treasury Bulletin No. 91-03. These subclass accounts shall be used to record applicable payments on the books of the Treasury Department. [See FMR VOL. 3, CH. 10]

- 9.4 Amounts presented for payment that cite appropriations that have been canceled shall not be paid until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.
Accounting Services (Army) - Indianapolis Center Supplemental Information: AND until the balance in the canceled TI 21 appropriation has been verified by the Indianapolis Center. There are three considerations that must be met in ADVANCE in order to use current year funds to pay for a canceled year obligation:

- **Check for limitation (1% rule) on use of current year funds – fund manager responsibility**
- **Check for sufficient remaining balance in the canceled appropriation**
- **Check to ensure that prefix 46 reporting has been approved by the Treasury.**

- 9.5** **Send requests for balance verification to the Indianapolis Center Treasury Reports Branch. The contact number is 317 510-5436 for instructions. Identify both the current year appropriation that needs to be used, the canceled appropriation that needs to be decremented, the amount, and the reporting month that the transaction will be processed by the reporting activity. The Indianapolis Center will decrement the canceled appropriation balance and issue a Prefix 46 control number. The reporting activity should ensure that the transaction is reported during the month associated with the control number. NOTE: THESE INSTRUCTIONS APPLY TO ALL ACTIVITIES FOR WHICH THE DFAS INDIANAPOLIS CENTER IS THEIR TREASURY REPORTER.**

- 9.6 All payments relating to, but being paid out of currently available appropriations, are subject to the purpose and value restrictions listed in 4.1 and 4.2 above]
- 9.7 There are two distinct, yet simultaneous, processes that shall be performed for all closed appropriation payment transactions:

9.7.1 (1) A payment shall be made out of current year funds, which ultimately shall be posted to the applicable Treasury account.

9.7.1.1 The payment shall adhere to the “similar purpose” rule as per paragraph 4.1 above.

9.7.2 (2) The corresponding memorandum account shall be decreased by an office with the responsibility to maintain the memorandum accounts.

10 Specific Rules & Procedures Applying to Closed Appropriation Collection Transactions

10.1 When collections that are authorized or required to be credited to an account are received after the closure of an account, those collections should be deposited in the departmental receipt Treasury account 3200, Collection of Receivables from Closed Accounts. (Accounting entries for crediting of collections after an account is closed are contained in Appendix A of FMR VOL. 3, CH. 10)

10.1.1 All closed account collections shall be posted as an increment to the corresponding memorandum account. **Accounting Services (Army) - Indianapolis Center Supplemental Information: All activities reporting collections to the 21R3200 and the 97R3200 account will provide an abstract to the Indianapolis Center Treasury Reports Branch that identifies the canceled appropriation represented by the 3200 account collection. Indianapolis Reporting Network activities must follow procedures described in Accounting Policy Implementation Message 04-09, which can be found at the following link:**

<https://dfas4dod.dfas.mil/centers/dfasin/library/policy04/ac0409.htm>

The Indianapolis Center will pull the monthly Treasury trial balances for the 3200 accounts each month to identify Treasury reporting. Activities using this account must provide Indianapolis with an abstract identifying which canceled TI 21 or TI 97 appropriation balances should be incremented as a result of their reporting. The reporting format is:

Total amount reported for account 21R3200: \$ XXX, XXX.XX

**Appropriation distribution: 21 X XXXX \$ XXX, XXX.XX
21 X XXXX \$ XXX, XXX.XX**

10.2 Note: Please identify the correct Treasury reporting appropriation (no pseudo appropriations) and the correct fiscal year combination on the report. Send the report to the Indianapolis Treasury Reports Branch. The contact number is 317 510-5436 for instructions.

10.2.1 Please note there are no lawful conditions for posting closed appropriation collections to a non-closed appropriation account.

10.3 If the account is closed with a negative balance, informational accounting reports (i.e., FMS 2108, SF 133, and SF 220-9) shall continue to be submitted for the applicable account until the negative balance is resolved. As appropriate, these informational reports shall:

10.3.1 indicate that the account is closed,

10.3.2 show the amount of the negative balance at the time the account was closed, and

10.3.3 show the current amount of the applicable receivable.

10.4 A negative balance may be liquidated by receiving offsetting collections. **Accounting Services (Army) - Indianapolis Center Supplemental Information: Collections should still be reported citing the**

appropriate (TI 21 or TI 97) receipt account. HOWEVER, on the abstract, please identify that the appropriation closed in a negative status.

- 10.5 All offsetting collections must be identified and coordinated with Treasury. **Accounting Services (Army) - Indianapolis Center Supplemental Information: In this situation, the Indianapolis Center will coordinate with the Treasury to redistribute the collections from the 3200 account up to the amount of the negative appropriation balance.**

11 Specific Rules & Procedures Applying to Closed Appropriation Adjustment Transactions

- 11.1 Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority and (b) errors made in classifying a payment made prior to the closing of an account, but not discovered until after the account was closed. [See FMR VOL. 3, CH. 10]

11.1.1 For clerical errors, the request shall include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

11.1.2 For classification errors, the Treasury Department shall accept reporting to

11.1.2.1 correctly classify payments previously reported to suspense/clearing accounts or

11.1.2.2 correct classification errors between current and closed accounts

11.1.2.3 Transactions between two closed appropriations shall be adjusted within the internal Service Center accounting records only.

- 11.2 The Comptroller General decision requires that any adjustment made by the Department of Defense be supported by documentary evidence and be able to withstand audit scrutiny, to include, but not be limited to, original documentation.

11.2.1 In some cases DFAS-CO identifies an adjustment (MOCAS transaction) which should be made, but the adjustment affects an appropriation that is so old that the accounting records are no longer available. When this occurs, the official accounting station cannot, in essence, support the fact that the proposed MOCAS adjustment needs to be reported to the Treasury.

11.2.1.1 Such proposed adjustment transactions shall fall under the authority of the March 15, 1999 memorandum entitled "By-Others Transaction Posting by Accounting Activities", and shall be deemed to have already been processed by the accounting center. Under these particular circumstances, the transaction shall be processed as a stand-alone internal MOCAS adjustment only. DFAS-CO retains the right to process said transactions as such. Please note, if DFAS-CO processes the MOCAS transaction internally, it is not subject to the SOP, and thus is not reportable to the DFAS service-wide community nor to the Department of Treasury. In summary, this type of transaction becomes one that is processed for the sole purpose of reconciling a particular MOCAS contract. **Accounting Services (Army) - Indianapolis Center Supplemental Information: If the Indianapolis Network Reporting activity cannot support a proposed MOCAS adjustment by review of the cited customer's official accounting records AND THE ORIGINAL DISBURSEMENT OCCURRED PRIOR TO MARCH 15, 1999, then the accounting activity must respond that MOCAS should process an internal adjustment only. However, if the Indianapolis Network Reporting Activity can support by review of the official customer accounting records that the proposed MOCAS adjustment needs to be reported to the Treasury, they should respond to the MOCAS request by approving an external adjustment. This will result in issuance of a control number by the Indianapolis Center and a subsequent TFO transaction that will hit the fiscal station's uncleared reports.**

If the original disbursement occurred after March 15, 1999, then the Indianapolis Network Reporting Activity should have been following the post as paid policy memorandum and they should not have initiated any adjustments to MOCAS disbursements without prior coordination (with MOCAS). The accounting activity is expected to approve external adjustments for these proposed adjustments and, if they had processed an adjustment without coordination, they must reverse their previous adjustment transaction. Advise the Indianapolis Center Treasury Reports Branch if this situation occurs so we can coordinate the offsetting adjustments in the same month. Please call 317 510-5436 to discuss this issue.

NOTE: MOCAS external adjustments are processed as transactions for others (TFO) within the Indianapolis Reporting Network. All reported transactions will be reflected on the cited fiscal station's TFO/TBO Uncleared Reports. Further note that reporting is accomplished using a one-position fiscal year designator. If the fiscal year cited is not open in our edit tables, the transaction will be reflected on the Uncleared Report in suspense account 21F3875. As an example, today's date is April 23, 2004 (FY 2004) and the following numbered fiscal year's are not in our departmental edit tables: 5, 6, 7, 8. Transactions citing these years will error into suspense.

However, also note that fiscal years 9, 0, 1, 2, 3, and 4 are open in our departmental edit tables. This means that if MOCAS processes a external canceled appropriation adjustment pertaining to a different decade, then the transaction would appear to belong to a current or prior year appropriation versus a canceled appropriation. As an example, today's date is April 23, 2004 (FY 2004) and MOCAS has received your approval to process a canceled appropriation adjustment involving 21 4 2020 (fiscal year 1994 funds). When they process this adjustment, the transaction will pass to the Uncleared Report as 21 4 2020, which appears to be a FY 2004 transaction. It is critical that the fiscal station monitor their Uncleared Reports and work with the Indianapolis Center Departmental Accounting Reports Team to ensure the transaction is moved from FY 2004 to FY 1994 at Treasury. The reports team will then coordinate with the Treasury Reports Branch to ensure Treasury reporting is correct.

11.2.1.2 If a proposed adjustment falls under the scope of paragraph 11.2.1 and will affect the appropriations of two different services, then the transaction shall be deemed to have already been processed by both accounting centers. All procedures contained in paragraph 11.2.1.1 shall apply. **Accounting Services (Army) - Indianapolis Center Supplemental Information: This pertains to what MOCAS calls "Split Service Adjustments."** If the Indianapolis Reporting Network Reporting Activity cannot support the proposed adjustment by review of the customers official accounting records, and the original disbursement occurred prior to March 15, 1999, then the adjustment must be processed internally by MOCAS. If the original disbursement occurred after March 15, 1999, then the adjustment must be approved externally and any previous adjustment initiated by an Indianapolis Network Reporting Activity must be reversed.

11.2.2 Please note that all other normal procedures identified in this SOP shall be followed.

11.3 All proper adjustments shall be processed in the appropriate accounting record in support of paragraph 11.8.

11.3.1 Adjustments shall be processed on an SF 1081 with debits and credits and shall be communicated to the respective office maintaining memorandum accounts, as per paragraph 8.4.

11.3.1.1 The debit side of a SF 1081 shall decrease the balance of the corresponding memorandum account.

11.3.1.2 The credit side of a SF 1081 shall increase the balance of the corresponding memorandum account.

11.3.1.3 The adjustment shall indicate both the appropriation erroneously charged and the appropriation that should have been charged.

11.3.2 Adjustment entries shall affect either:

11.3.2.1 two closed appropriations or;

11.3.2.2 one open and one closed appropriation.

11.3.3 Only SF 1081s containing “open-to-closed” adjustments shall be sent to Treasury

11.3.4 Director, Accounting Services Supplemental Information: Effective immediately, no closed account adjustments for 97 FY 1989/1990 0400, Research, Development, Test and Evaluation (RDT&E) – Defense-wide shall be authorized without strict compliance with the following procedures:

- All documentation supporting the propriety of a closed account adjustment of \$1million or below must be forwarded to the Deputy Director, Defense Agencies, Indianapolis Operations, (317) 510-3075. The Deputy Director will personally review and provide written approval to process the adjustment, if appropriate.
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- All documentation supporting the propriety of a closed account adjustment above \$1 million must be forwarded to one of the following DFAS Directors: Director, Accounting Services, Defense Agencies at DFAS-Columbus, (614) 693-6700 (telephone), (614) 693-0790 (fax) or to the Deputy Director, Accounting Services, Defense Agencies at DFAS-Columbus, (614) 693-8340 (telephone), (614) 693-0790 (fax).
- The following information will be provided to Accounting Services, Defense Agencies: dollar amount, name of requestor, date of the request, and all supporting documentation.

11.4 In order to assure that an audit trail is duly preserved, DFAS has agreed to process closed account adjustments within six months of the determination that we have a proper closed account adjustment to process.

11.4.1 In all cases, and without exception, all identified closed account adjustments must be processed by all related Centers or Field Sites set forth in the designated 1081. **Accounting Services (Army) - Indianapolis Center Supplemental Information: As discussed throughout this SOP, adjustments must be coordinated and approved prior to processing.**

11.5 A responsible person shall approve each closed account adjustment.

11.5.1 For MOCAS-related adjustments for a closed account, the responsible person is a Responsible Contract Reconciliation Agent (“RCRA”). [See FMR VOL. 10, CH. 20] **Accounting Services (Army) - Indianapolis Center Supplemental Information: The RCRA must coordinate directly with the Indianapolis Network Reporting Activity points of contact. In all cases, when external approval is provided for adjustments pertaining to transactions initiated prior to March 15, 1999, the RCRA must provide the name, position, and phone number of the Indianapolis point of contact who approved the proposed adjustment. For adjustments pertaining to disbursements occurring after March 15, 1999, cite the post as paid policy on the SF 1081. HOWEVER, even if the original transaction occurred after March 15, 1999, the RCRA must still provide the adjustment information to the Indianapolis Reporting Network Activity point of contact. The goal is to coordinate timing of the reporting for the MOCAS adjustment and the reversal of any previously uncoordinated field site adjustment.**

- 11.5.2 For the non-MOCAS contracts processed at field sites, there shall be a responsible person similar to an RCRA. This individual's role shall be one of a responsible non-MOCAS contract or vendor pay reconciliation agent. **Accounting Services (Army) - Indianapolis Center Supplemental Information: In any situation where a proposed closed appropriation adjustment does not involve a vendor pay transaction, the proposed adjustment must be reviewed and approved by a senior field site manager, Deputy Director level or higher. Also note that reversals of MOCAS adjustments for transactions received after March 15, 1999 must be processed on a SF 1081, approved at the same level and that these reversals require a control number be issued by the Indianapolis Center.**
- 11.6 Prior to initiating any transaction that will be reported to the Treasury, all appropriate adjustments must be fully coordinated with the respective entities impacted by the adjustment. **Accounting Services (Army) - Indianapolis Center Supplemental Information: Approval processes have been addressed throughout this SOP. If there are any questions, please address them to the Indianapolis Center Treasury Reports Branch. The contact number is 317 510-5436.**
- 11.7 Generally, the role of the responsible person shall entail certification of the SF 1081 to ensure the voucher is supported by proper documentation. **Accounting Services (Army) - Indianapolis Center Supplemental Information: Note that this is an item of Audit interest. Indianapolis Center Reporting Activities will ensure that proper documentation is maintained in support of canceled appropriation transactions citing their customer accounts.**
- 11.8 In either case mentioned in paragraphs 11.5.1 and 11.5.2, when approving a SF 1081 voucher to process a closed account adjustment, the responsible person is certifying that the adjustment is legal, necessary, and supported by the documentation required by the DFAS-wide standard policy and procedures.
- 11.9 The core competencies for the position shall include possessing supervisory status (except where provided by Regulation for designated "RCRA") and thorough training in accordance with paragraph 12.6.1. [See FMR VOL. 10, CH. 20, APP. B]
- 11.10 The designated role found in paragraphs 11.5.2 and 11.6, as well as designated competencies shall be incorporated into revisions of the DoD FMR Volume 3, Chapter 10.
- 11.11 Each non-MOCAS processed closed account adjustment equal to or exceeding \$1 million dollars shall be reviewed and signed by the Field Site Director/ Deputy Director or the accounting officer subsequent to preparation of the SF 1081, but prior to processing.
- 11.12 Non-MOCAS processed closed account adjustments below this threshold is subject to review by DFAS Internal Review.
- 11.12.1 DFAS Internal Review shall be responsible for the design and execution of a plan to review a statistical sample of such non-MOCAS processed closed account adjustments on an annual basis.
- 12 Other Procedures
- 12.1 In accordance with Management comments to the DoD Inspector General audit findings contained in report D-2003-133, "Controls Over DoD Closed Appropriations", DFAS will work with the Office of the Under Secretary of Defense (Comptroller) to establish a performance metric to measure the number of approved correction requests vice the number of correction requests submitted for approval.
- 12.2 *Responsibility to Perform Reconciliation Procedures for Treasury Account 3999.* Each Treasury reporting center shall, on a monthly basis, reconcile their closed appropriation account activity to corresponding data provided by Treasury. Treasury reporting centers that report closed appropriation transactions pertaining to another reporting center will provide details to the appropriate center. **Accounting Services (Army) - Indianapolis Center Supplemental Information: The Indianapolis Center currently receives a copy of**

the canceled appropriation supplemental submissions and balances to the amounts reported against the 3999 account.

12.3 *Unmatched Disbursements for Closed Accounts.* When a disbursement is made properly before the cancellation of the appropriation to which an obligation was charged, but is not identified and matched with the proper obligation until after the cancellation of the appropriation, that disbursement shall be charged to the canceled appropriation. Appropriate corrections to accounting records and reports shall be made as necessary.

12.4 DFAS will address any individual system deficiency that gives rise to the need for processing closed account adjustments.

12.4.1 The site that detected the systems deficiency shall notify the respective Accounting and Entitlement Business Line Executive.

12.4.2 A formal assignment shall be made to evaluate the deficiency to see whether a feasible and affordable automated solution can be found.

12.4.3 If there is no feasible and affordable automated solution, then DFAS shall develop a manual workaround process that manages the current condition as well as any future conditions.

12.5 Memorandum accounts shall be properly maintained, to include:

12.5.1 The issuance of control numbers; **Accounting Services (Army) - Indianapolis Center Supplemental Information: The Indianapolis Center will issue control numbers for canceled appropriation transactions in the following categories:**

- **Prefix 46 transactions – current year funds used to pay for canceled appropriation obligations**
- **Replacement fund transactions**
- **Canceled appropriation adjustments**
 - **For self**
 - **For others (MOCAS) and any other TFO station after coordination with cited fiscal station.**

12.5.2 The decrementing of the memorandum account simultaneously with either

12.5.2.1 (1) the current year payment or;

12.5.2.2 (2) the debit side of the SF 1081 adjustment.

12.5.3 The incrementing of the memorandum account simultaneously with either

12.5.3.1 (1) the closed account collection or;

12.5.3.2 (2) the credit side of the SF 1081 adjustment.

12.5.3.2.1 In no case shall a collection on a closed appropriation serve to increment a non-closed fund balance.

12.6 DFAS Centers shall conduct ongoing training for closed appropriation accounting processes and procedures.

12.6.1 All training shall include:

12.6.1.1 A review of all laws, regulations, Comptroller General decisions applicable to closed appropriation account processing.

12.6.1.2 A discussion of personnel roles for maintaining closed appropriation account balances.

12.6.1.3 The dependency of accurate closed appropriation account balances upon good communication from personnel processing payments, collections, and adjustments.

12.6.1.4 Appropriation Law training (to include supplemental ADA training not included in the specific curriculum identified in the Appropriation Law training when and where available.)

12.6.2 Training shall be required for all personnel involved in payments, collections, and adjustments to closed appropriation accounts.

12.7 DFAS Centers shall incorporate closed account management controls into their respective Management Control Programs as an assessable unit.